June 13, 2021

The Honorable Gary Gensler, Chair
The United States Securities and Exchange Commission
100 F St, NE
Washington, D.C. 20549

VIA EMAIL

Re: Public Input on Climate Change Disclosures

Dear Chair Gensler and esteemed members of the Securities and Exchange Commission,

Manifest Climate ("**Manifest Climate**") welcomes the opportunity to provide comments to the Securities and Exchange Commission (the "**Commission**") regarding its request for input on the topic of corporate disclosures related to climate change.

Manifest Climate is committed to helping businesses around the world navigate the risks and opportunities of climate change and to surfacing best practices in the disclosure of climate risks and opportunities. The focus of our work, and the extensive exposure of our organization to financial markets more generally, enable us to submit an informed response.

We note the Commission acknowledges demand for information about climate change risks, impacts, and opportunities. We further note that the absence of climate-related disclosures by issuers regulated by the Commission materially and adversely impacts the ability of investors to value their investments accurately, which results in an inappropriate allocation of capital.

Oversight of climate-related disclosures are within the Commission's regulatory mandate. Climate risk is a systemic risk, with the potential to destabilize financial markets and the broader economy. As a member of the Financial Stability Oversight Council, the Commission has a responsibility to maintain financial market stability, promote growth and competitiveness, and protect consumers and investors. Climate risk is relevant to each of these responsibilities.

In this context:

1. We support the Commission's efforts to evaluate its disclosure rules to facilitate the disclosure of consistent, comparable, and reliable information on climate change and unreservedly recommend the amendment of existing disclosure requirements to include mandatory climate-related financial reporting requirements.

2. We recommend that the Commission aligns its efforts with the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"). As of June 1, 2021, the TCFD framework has been supported by in excess of 2,100 companies around the world[1]. On June 5, 2021, the Finance Ministers and Central Bank Governors of the G7 issued a communication

[1] See: https://www.fsb-tcfd.org/supporters/

supporting a move toward mandatory climate-related financial disclosures that provide consistent and decision-useful information for market participants and that are based on the TCFD.[2]

3. We believe it is critical to work towards a reporting framework on climate-related disclosures that is universally consistent. The TCFD represents the best foundation for that objective, on which appropriate sector-specific standards, data, metrics and methodologies can be built, adopting industry-led initiatives, consistently-applied.

The endorsement of the TCFD by the Commission would complement action by regulatory bodies around the world, and would represent a landmark in promoting the transparency of climate-related financial risk and opportunities in capital markets.

We respectfully submit the following responses to the Commission's specific questions.

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Question 1: How can the Commission best regulate, monitor, review, and guide climate change disclosures in order to provide more consistent, comparable, and reliable information for investors while also providing greater clarity to registrants as to what is expected of them? Where and how should such disclosures be provided? Should any such disclosures be included in annual reports, other periodic filings, or otherwise be furnished?

Climate risk is financial risk. In this way, the need for, and impact of, climate-related disclosures differs from broader ESG matters (as to which see our response to Question 15, below). As noted in our introductory remarks, risks associated with climate change are systemic in nature, and have a macro-economic impact. As such, the failure by registrants to account for climate risks and opportunities on a consistent, comparable and reliable basis results in inaccurate financial market valuations.

Accordingly, consistent with the recommendations of the TCFD, climate change disclosures should be included in financial filings mandated under existing regulations, within Form 10-K annual reports at a minimum, and Form 10-Q quarterly reports where appropriate, as well as within Form 20-F filings used by foreign private issuers.

Investors and analysts use such financial filings as a primary source of investment-decision information. Mandating climate change disclosures in financial filings therefore represents the most effective method to disseminate an issuer's climate risks and opportunities to investors.

Question 2: What information related to climate risks can be quantified and measured? How are markets currently using quantified information? Are there specific metrics on which all registrants should report (such as, for example, scopes 1, 2, and 3 greenhouse gas emissions, and greenhouse gas reduction goals)? What quantified and measured information or metrics should be disclosed because it may be material to an investment or voting decision? Should disclosures be tiered or scaled based on the size and/or type of registrant)? If so, how? Should disclosures be phased in over time? If so, how? How are markets evaluating and pricing externalities of contributions to climate change? Do climate change related impacts affect the cost of capital, and

[2] See: https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communique/g7-finance-ministers-and-central-bank-governors-communique

if so, how and in what ways? How have registrants or investors analyzed risks and costs associated with climate change? What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions? How does the absence or presence of robust carbon markets impact firms' analysis of the risks and costs associated with climate change?

As noted by the TCFD, the disclosure of climate risks and opportunities requires both qualitative and quantitative analysis. Quantitative analysis can be further bifurcated into historic and forward-looking assessments. Contrast, for example the disclosure of backward-looking Scope 1, 2 and 3 emissions data against forward-looking projections regarding emissions targets and/or scenario analyses.

The determination and disclosure of GHG emissions represents an understandable starting point for issues to provide mandatory quantitative disclosure, but should not overshadow the importance of forward-looking targets and the disclosure of climate risks and opportunities that extend beyond an emissions analysis.

To illustrate the point, the disclosure of historic emissions data for an issuer whose business centers on real estate does not help an investor in that business assess the financial risks (or opportunities) that the issuer may be exposed to that do not correspond to emissions (e.g. hurricane, fire or flood damage). Nor does such historic data provide decision-useful information with respect to the issuer's goals regarding the energy transition (e.g. the issuer's decarbonization pathway). The Commission should work towards mandating forward-looking metrics and data, which cover both emissions and non-emissions risks and opportunities. This is consistent with the TCFD framework.

We recognize that issuers and industries differ as to their ability to identify, generate and disclose decision-useful data and information. Accordingly, we acknowledge that Scope 3 and other quantitative disclosures may require a phased approach (and safe harbors) pending the development of mature methodologies. However, we urge the Commission not to delay introducing broader mandatory disclosure requirements on this basis, and recommend that any such phased approach (or safe harbors) be limited both in scope and duration.

Acknowledging our comments above, all registrants should be required to report scope 1, 2 and, where possible, scope 3 greenhouse gas ("**GHG**") emissions. These should be calculated and reported according to the generally accepted 2004 Greenhouse Gas Protocol (the "**Protocol**").[3] GHG emissions have a well-established impact on climate change, and the Protocol provides a "true and fair" account of reporting entities' emissions. Disclosure of emissions by issuers according to the Protocol would therefore provide investors with a standardized metric with which to compare and contrast climate risks and opportunities across different corporate issuers. As noted above, issuers should disclose historic emissions data and projections corresponding to future operations. Issuers that are financial institutions should be required to report information on their financed emissions. These should be calculated and reported using the methodology developed by the Partnership for Carbon Accounting Financials (PCAF), which has been endorsed by the TCFD.[4]

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3 See: https://ghgprotocol.org/corporate-standard. To standardize scope 3 disclosures, the Commission should adopt the categorization of these emissions described by the GHG Protocol's 'Technical Guidance for Calculating Scope 3 Emissions', as to which see: https://ghgprotocol.org/sites/default/files/standards_supporting/Intro_GHGP_Tech.pdf.

4 See: https://assets.bbhub.io/company/sites/60/2021/05/2021-TCFD-Metrics_Targets_Guidance.pdf

With respect to the Commission's question on carbon markets, Manifest Climate takes the view that transparent price signals (ideally from compliance markets), represent a critical tool (a) for investors and other stakeholders to assess the risks and opportunities relating to climate risk (i.e. to assist price discovery), and (b) for policy-makers to effect meaningful emissions reductions (i.e. to achieve jurisdiction-wide climate change objectives). The absence of carbon markets therefore means those tools are not available to investors, stakeholders and policy-makers. However, that such tools are not available does not mean that the Commission should delay mandating climate-related disclosures consistent with the TCFD framework; carbon markets will complement that framework and the regulatory mandate that the Commission is discharging in introducing mandatory disclosure requirements.

Question 3: What are the advantages and disadvantages of permitting investors, registrants, and other industry participants to develop disclosure standards mutually agreed by them? Should those standards satisfy minimum disclosure requirements established by the Commission? How should such a system work? What minimum disclosure requirements should the Commission establish if it were to allow industry-led disclosure standards? What level of granularity should be used to define industries (e.g., two-digit SIC, four-digit SIC, etc.)?

The SEC should use the foundational work of registrants and other industry participants in supporting climate change disclosure frameworks and standards (e.g.: the TCFD, CDP, the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB)). Minimum disclosure requirements mandated by the Commission should be consistent with this foundational work and, in particular, the recommendations of the TCFD.

To do otherwise risks fragmentation of reporting practices among corporate issuers, which will result in inconsistent price discovery and the inaccurate or unreliable valuation of risk. A consistent message from industry is the need for predictability and consistency in rule-making; organizations and investors both require clarity and comparability in the production and reporting of climate-related disclosures.

The Commission should take note of industry-endorsed (or led) initiatives, such as the Net-Zero Asset Owner Alliance and Science-Based Targets initiative, and incorporate those into its disclosure standards (where appropriate and consistently applied).

Manifest Climate believes that the Commission's mandate and role means that it can have an outsize impact on the global acceleration towards consistent climate-related reporting. It can (and should) start now with the TCFD, and in time complement the TCFD baseline with input from the work of international bodies, such as the International Financial Reporting Standards Foundation and SASB, which are developing climate change reporting standards and sector-specific metrics respectively.

Question 4: What are the advantages and disadvantages of establishing different climate change reporting standards for different industries, such as the financial sector, oil and gas, transportation, etc.? How should any such industry-focused standards be developed and implemented?

It is axiomatic to say that different industries are exposed to different climate risks, and that – in this context – sector-specific standards will be needed. The CDP, for example, has sector-specific questions across 17 sectors, which reflects the complexity of the impact of climate change on different industries.

We recommend that the Commission works with industry and other stakeholders to develop industry-focused standards, consistent with the TCFD. In doing so, we recommend that such standards be developed on a consent (not consensus)-based approach, with the twin overriding objectives of rulemaking in a timely manner (consistent with the scientific imperative immediately) and ensuring comparability among different sectors. I.e. Investors understand the need for a sector-specific approach, but such specificity cannot be allowed to: (a) prejudice the timely adoption of rules that are needed to effect an appropriate sectoral response to climate change; (b) obscure (i) the relative impact of those sectors on climate change, or (ii) the relative impact of climate change on those sectors; or (c) compromise the ability of investors to make a fair comparison (and investment decision) across different sectors.

Question 5: What are the advantages and disadvantages of rules that incorporate or draw on existing frameworks, such as, for example, those developed by the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and the Climate Disclosure Standards Board (CDSB)? Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?

As noted throughout this response, Manifest Climate believes that the TCFD represents the foundation on which the Commission should frame its rulemaking on climate-related disclosures. Further, as noted above, The endorsement of the TCFD by the Commission would complement action by regulatory bodies around the world, and would represent a landmark in promoting the transparency of climate-related financial risk and opportunities in capital markets.[5]

Without derogating from our principal recommendation that the Commission founds its position using the TCFD, it is worth distinguishing between frameworks and standards. To illustrate, the TCFD "framework" establishes a process, which acknowledges and allows for a range of responses (i.e. degree of alignment). This sits in contrast to a "standard", which mandates the achievement of a particular threshold. We recommend that the Commission adopts a mandatory framework approach, consistent with the recommendations of the TCFD, and then works to supplement that framework over time to incorporate additional sector-specific detail (see above) and standards developed by (for example) the International Financial Reporting Standards (IFRS) Foundation.[6]

Question 6: How should any disclosure requirements be updated, improved, augmented, or otherwise changed over time? Should the Commission itself carry out these tasks, or should it adopt or identify criteria for identifying other organization(s) to do so? If the latter, what organization(s) should be responsible for doing so, and what role should the Commission play in governance or funding? Should the Commission designate a climate or ESG disclosure standard setter? If so, what should the characteristics of such a standard setter be? Is there an existing climate disclosure standard setter that the Commission should consider?

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[5] As noted above, on June 5, 2021, the Finance Ministers and Central Bank Governors of the G7 issued a communication supporting a move toward mandatory climate-related financial disclosures that provide consistent and decision-useful information for market participants and that are based on the TCFD. See: https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communique/g7-finance-ministers-and-central-bank-governors-communique

[6] The IFRS Foundation produces globally accepted accounting standards that are required in more than 140 jurisdictions and permitted in many others. Many US-based entities operate in jurisdictions where IFRS requirements apply. Given the importance of consistency among jurisdictions and an objective to minimize the reporting burden on issuers with international operations, the Commission should work with, and consider aligning its disclosure rules with, the standards in development by the IFRS Foundation.

The Commission should consider whether it has sufficient technical expertise, funding and independence to update, improve and augment climate-related disclosure requirements in the same manner as it presently governs changes to Regulations S-K and S-X.

We expect that the Commission may find it beneficial to involve a third party to help develop recommendations for the development of disclosure requirements over time (such as the role that the role the European Financial Reporting Advisory Group (EFRAG) is expected to play for the EU's Corporate Sustainability Reporting Directive).

Third party input, if requested by the Commission, should be contingent on the ability of that third party to deliver independent recommendations, after factoring in scientific, technical, financial, issuer and investor comment. In this way, the Commission would retain overall competence with updating disclosure requirements, but would receive the benefit of independent advice on which to base its rulemaking.

Question 7: What is the best approach for requiring climate-related disclosures? For example, should any such disclosures be incorporated into existing rules such as Regulation S-K or Regulation S-X, or should a new regulation devoted entirely to climate risks, opportunities, and impacts be promulgated? Should any such disclosures be filed with or furnished to the Commission?

We believe the best approach to promote the disclosure of decision-useful climate-related information would be to amend existing disclosure rules housed in Regulation S-K and S-X to include a "duty to disclose" such information.

Embedding climate-related disclosure requirements within existing regulations would be preferable to promulgating new regulations devoted to climate risks and opportunities for three reasons. First, the use of existing regulation would reinforce (correctly) the central importance of climate-related disclosure to the Commission's overall disclosure framework. Second, the development of existing regulation would allow issuers and other stakeholders to build on, and benefit from, long-standing and well-understood disclosure principles inherent in the rules. Third, the development of standalone rules risks increasing (unnecessarily) the complexity and compliance burden on issuers.

Question 8: How, if at all, should registrants disclose their internal governance and oversight of climate-related issues? For example, what are the advantages and disadvantages of requiring disclosure concerning the connection between executive or employee compensation and climate change risks and impacts?

The TCFD framework recommends that organizations disclose their board's oversight of climate risks and opportunities as well as management's role in assessing and managing such risks and opportunities. Climate-related disclosure requirements produced by the Commission should therefore mandate these governance-related disclosures at a minimum.

Further, we recommend that issuers be required to disclose how their climate-related targets and objectives are incorporated into remuneration policies for senior executives. If there is no link to remuneration, issuers should be required to explain why.

Question 9: What are the advantages and disadvantages of developing a single set of global standards applicable to companies around the world, including registrants under the

Commission's rules, versus multiple standard setters and standards? If there were to be a single standard setter and set of standards, which one should it be? What are the advantages and disadvantages of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on versus a comprehensive set of standards? If there are multiple standard setters, how can standards be aligned to enhance comparability and reliability? What should be the interaction between any global standard and Commission requirements? If the Commission were to endorse or incorporate a global standard, what are the advantages and disadvantages of having mandatory compliance?

The Commission should develop its initial framework in alignment with the TCFD, with a long-term objective of developing a single set of global standards.

As noted in our response to Question 5, there is an important difference between frameworks and standards. The TCFD establishes a process driven framework, in contrast to a standard, which compels covered entities to meet specific thresholds. At present, we consider that a framework, consistently applied, is the best foundation for the Commission's climate-related rulemaking, as it allows organizations the flexibility and ability to innovate, both of which are critical to effectively and rapidly respond to climate change. We anticipate the Commission will build on its initial climate-related rulemaking over time to incorporate standards as they develop and mature around the world (e.g. leveraging the work of the IFRS Foundation).

Question 10: How should disclosures under any such standards be enforced or assessed? For example, what are the advantages and disadvantages of making disclosures subject to audit or another form of assurance? If there is an audit or assurance process or requirement, what organization(s) should perform such tasks? What relationship should the Commission or other existing bodies have to such tasks? What assurance framework should the Commission consider requiring or permitting?

Climate-related disclosures included in financial filings should be subject to audit or assurance processes, to ensure that such disclosures are sufficiently accurate and detailed to produce decision-useful information that can be applied across different investments and investment-types.

That said, we acknowledge that there may be a learning period for some (but not all) corporate issuers to develop effective protocols on climate-related disclosures, and – limited to this context – the Commission may elect to incorporate a phased approach to the assessment and verification of climate-related disclosures. Subject only to allowances for a phased approach (if any), we recommend that the Commission takes the position that issuers that produce false and misleading disclosures of climate-related risks and opportunities should be subject to the same penalties as those that produce misleading disclosures on financial performance, risk factors, and known industry trends.

Question 11: Should the Commission consider other measures to ensure the reliability of climate-related disclosures? Should the Commission, for example, consider whether management's annual report on internal control over financial reporting and related requirements should be updated to ensure sufficient analysis of controls around climate reporting? Should the Commission consider requiring a certification by the CEO, CFO, or other corporate officer relating to climate disclosures?

The Commission should ensure that issuers' annual reports on internal control over financial reporting also includes discussion of climate-related reporting. This should include, at minimum, a statement of management's responsibility for establishing and maintaining adequate internal control over climate-related reporting for the issuer and management's assessment of the effectiveness of a corporate issuer's internal control over climate-related reporting as of the end of the issuer's most recent fiscal year.

Question 12: What are the advantages and disadvantages of a "comply or explain" framework for climate change that would permit registrants to either comply with, or if they do not comply, explain why they have not complied with the disclosure rules? How should this work? Should "comply or explain" apply to all climate change disclosures or just select ones, and why?

A comply or explain approach can be used in the context of climate change disclosure frameworks to acknowledge the development of capacity in the system (i.e. expertise across an asset class or industry). Although – in principle – the use of a comply or explain model erodes the ability to achieve consistency across corporate issuers, we note that: (a) comply and explain can be a useful starting (but not end) point for specific disclosure rules; and (b) any "explanation" of non-compliance still requires the disclosure of detail that investors and other stakeholders can use to consider investment decisions.

That said, we believe there is already sufficient capacity and knowledge within the system, and there is sufficient detail on materiality regarding, and exposure to, climate risks, for issuers to be required to disclose material climate risks and opportunities. We therefore do not favor the comply or explain model except with respect to narrowly crafted elements of climate-related disclosures that are expected to transition to mandatory disclosure requirements over time.

Question 13: How should the Commission craft rules that elicit meaningful discussion of the registrant's views on its climate-related risks and opportunities? What are the advantages and disadvantages of requiring disclosed metrics to be accompanied with a sustainability disclosure and analysis section similar to the current Management's Discussion and Analysis of Financial Condition and Results of Operations?

Issuers should be required to accompany climate-related data that is disclosed with management discussion and analysis that contextualizes of the reported data. As methodologies for climate-related metrics and targets continue to evolve, and various approaches to presenting data remain in use, climate-related disclosures require accompanying qualitative descriptions to be decision-useful, which such descriptions should clearly describe how (e.g.) metrics, targets and data have been determined.

Question 14: What climate-related information is available with respect to private companies, and how should the Commission's rules address private companies' climate disclosures, such as through exempt offerings, or its oversight of certain investment advisers and funds?

Climate-related information related to non-public companies is limited, at least by reference to the information that is generally available with respect to public issuers. However, we note that private entities and industry initiatives are attempting to improve climate-related disclosures, and, critically, many investors are active both in private and public markets.

Accordingly, we believe the obligation to publish climate-related disclosures should be mandated for large private issuers. By way of illustration the Commission should consider extending climate-related disclosure requirements for private companies and partnerships that exceed a certain size threshold. This would align with the approach under consideration by the UK Government, which is evaluating the mandatory imposition of climate-related disclosure requirements on private companies and partnerships that have more than 500 employees and £500 million in annual turnover.[7]

Question 15: In addition to climate-related disclosure, the staff is evaluating a range of disclosure issues under the heading of environmental, social, and governance, or ESG, matters. Should climate-related requirements be one component of a broader ESG disclosure framework? How should the Commission craft climate-related disclosure requirements that would complement a broader ESG disclosure standard? How do climate-related disclosure issues relate to the broader spectrum of ESG disclosure issues?

Climate-related risks and opportunities are *sui generis*. Climate risk differs from ESG risk in two ways: first because of the immediate and macro-economic impact of climate change (both on and among corporate issuers and jurisdictions), and second, because different issuers have different obligations with respect to the E, S and G of ESG. The same can be said of climate-related opportunities.

Our view is not intended to downplay the importance of ESG matters. It is, however, intended to encourage the Commission to mandate climate-related disclosures (aligned with the TCFD) now, without waiting to develop appropriate rulemaking on climate-related disclosures to accommodate a broader ESG disclosure framework.

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We acknowledge the important work that the Commission is doing with respect to the adoption of mandatory climate-related financial disclosures, and thank the Commission for the opportunity to provide input on this critical and time-sensitive topic.

We are available to discuss any of the views expressed in this response, and would welcome the opportunity to present our recommendations in more detail at your convenience.

Should you have any questions regarding our submission, please contact Pete Richardson [redacted].

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7 See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972422/Consultation_on_BEIS_mandatory_climate-related_disclosure_requirements.pdf